



401(k) Distribution Dilemma

We all look forward to the day when we can finally call it a career! Time to kick back, relax, and collect our carefully planned and hard-earned retirement savings. But rushing into withdrawing your retirement funds without the best distribution method can prove costly.

When you retire, some employers require the distribution of your 401(k) funds as soon as you separate from the company. In that case, rolling them over to an IRA may be your only option for avoiding penalties. If a lump-sum distribution is your only option, that may bump you into a higher tax bracket.

Some employers, however, allow retirees to leave those funds in the company's 401(k) plan, even after they've separated from the firm. Given the option - leaving your money in the plan or rolling it into an IRA - which do you choose?

Remember, a 401(k) is like a traditional IRA. Anything contributed can grow tax-deferred until the day you take distributions. You're still subject to the plan's rules and the investment options offered, though, including any changes the employer may make to the plan after you retire. A rollover may be more attractive, particularly if the 401(k) has limited investment options.

Rolling your 401(k) savings into an IRA allows you to continue investing and growing your assets tax-deferred. It also gives you more control over when and how to invest your money and, to some extent, when you take distributions. If you have multiple qualified plans (for example, accounts at several different employers), consolidating them into an IRA can make them easier to manage.

The decision to leave your 401(k) or take a distribution depends on your specific financial situation - namely, your expected tax bracket the year you retire.

If you've been putting off the retirement planning question, there's no time like the present! Schedule some time with our office to get the conversation started!